

FORM NO. 51-NC  
MAR 1952

(20)

CLASSIFICATION C-O-N-F-I-D-E-N-T-I-A-L  
CENTRAL INTELLIGENCE AGENCY  
INFORMATION FROM  
FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT

50X1-HUM

CD NO.

COUNTRY USSR

DATE OF  
INFORMATION 1938-1954

SUBJECT Economic - Soviet defense expenditures

DATE DIST. 9 Mar 1955

HOW  
PUBLISHED Daily newspaper, periodicals, books

NO. OF PAGES 6

WHERE  
PUBLISHED Moscow, MunichDATE  
PUBLISHED Jul 38-22 Apr 54

LANGUAGE Russian

SUPPLEMENT TO  
REPORT NO.

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SOURCE As indicated

SOVIET DEFENSE EXPENDITURES, 1938-1953

[Comment: This report presents a survey of Soviet publications, mostly financial and economic, for information dealing with Soviet defense expenditures in the period 1938-1953.

Many of the periodicals were unobtainable over a period of several years, as were certain issues in a given year. However, the following periodicals were available for the indicated period: Den'gi i Kredit, Finansy i Kredit SSSR, Planovoye Khozyaystvo, Sovetskiye Finansy, Vestnik Statistiki, and Voprosy Ekonomiki, and Bol'shevik (later changed to Kommunist).

Numbers in parentheses refer to appended sources.]

Although the financial plan of the Second Five-Year Plan (1933-1937) allocated 19 billion rubles for administration and defense (1), budget expenditures for defense during that period amounted to 46,989.3 million rubles. The acceleration of defense expenditures culminated in an expenditure of 17,481.0 million rubles in 1937, which was 12 times greater than that of 1933.(2) A loan of 4,932 million rubles was floated in 1937 to strengthen the defense of the USSR.(3)

The 1938 plan, designed to enhance the defense potential of the USSR, increased capital investments in the defense industry, particularly in the aircraft, tank, and armaments industries.(4) It was planned that the 1938 production of the People's Commissariat of Defense Industry would be 27 percent greater than that of 1937, and 242 percent greater than that of 1932.(5) As a whole, the defense industry expanded considerably faster than any other industry in the Second and Third Five-Year Plans.(6) In 1938, as compared with 1937, capital construction in defense industry increased 70 percent and the number of enterprises put into operation increased 67 percent.(7) Budget expenditures of the People's Commissariat of Defense and the People's Commissariat of the Navy increased to 23.2 billion rubles in 1938.(8)

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The 1939 plan allocated 40,885 million rubles for the People's Commissariat of Defense and the People's Commissariat of the Navy. This was an increase of about 17.7 billion rubles over the 1938 allocation.(9)

Budget expenditures for the military forces constituted 11.8 percent of the total budget expenditures in the period 1933-1937, and 26.1 percent in the period 1938-1940.(10)

From 1930 to 1939, the number of tanks in the Red Army was increased by 43 times, aircraft by 6.5 times, heavy, medium, and light artillery by 7 times, and antitank guns by 70 times.(11) During the five-year plans, the Red Army made great advances in mechanization and motorization. In 1939, the horsepower of the equipment used to support each soldier amounted to 13 units, as compared with 3.07 horsepower units in 1930. The number of aircraft increased 656 percent.(12)

Budget expenditures for defense in 1940 amounted to 57.1 billion rubles (13), which constituted 32.4 percent of the total budget expenditures.(14)

Because of the growing threat to the USSR, the Supreme Soviet approved defense expenditures in the amount of 70.9 billion rubles in 1941, representing 32.9 percent of the total budget. The German attack in the middle of 1941 necessitated radical alterations in the state budget. Defense expenditures for the second half of 1941 were increased to 20.6 billion rubles above those of the first half of 1941.

In 1942, military expenditures from the state budget increased to 108.4 billion rubles (15), constituting 59.1 percent of the total budget expenditures.(14)

During the first years of the war, problems of financing military expenditures were complicated by the curtailment of budget revenues. In 1942, budget revenues were 165 billion rubles, compared with 180 billion rubles in 1940. While turnover-tax receipts in 1940 amounted to 105.9 billion rubles, in 1942 they dropped to 66.4 billion rubles. Budget receipts from the profit tax were correspondingly reduced from 21.7 billion rubles in 1940 to 15.3 billion rubles in 1942. These reductions were the result of the German occupation, which curtailed the output of products, and the conversion of many plants to war production. Increased military expenditures, coupled with curtailed revenues, resulted in a gap between revenues and expenditures. The gap was partially closed by supplementary currency issues and mobilization by the banks of material resources poured into the national economy before the war.(16)

As of 1 January 1942, the workers throughout the USSR had contributed 1.7 billion rubles to the defense fund, in addition to considerable quantities of platinum, gold, silver, and other valuables.(17) By 21 March 1942, workers' voluntary contributions to the defense fund had amounted to 2,282,000,000 rubles, as well as other valuables, including foreign currency and thousands of tons of grain, meat, butter, and other agricultural commodities given up by the kolkhozes.(18) From the end of 1942 to the beginning of 1944, kolkhoz farmers contributed 4 billion rubles to the defense and the Red Army funds.

In 1943, expenditures for financing the People's Commissariat of Defense amounted to 124.7 billion rubles (19), which constituted 59.1 percent of the total budget.(14) [Another source gives the proportion of military expenditures in the third year of the war (1943) at 62.6 percent of the total budget.(20)]

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The Supreme Soviet approved expenditures for the People's Commissariat of Defense and the People's Commissariat of the Navy at 128.4 billion rubles for 1944 (21), which was a 2.7-percent increase over 1943 allocations (20) and 52.4 percent of the total budget. (14) Actual military expenditures in 1944, however, amounted to 137.8 billion rubles.

The USSR state budget for 1945 allocated 137.9 billion rubles to the military forces. However, only 128.2 billion rubles were actually spent. (22)

[Note: As cited by another source, the proportion of the total budget expenditures allocated for the military forces during the course of the war was as follows: 1942, 59.3 percent; 1943, 59.5 percent; 1944, 52.2 percent; and 1945, 42.9 percent. (23)]

Altogether, USSR defense expenditures connected solely with the financing of the Ministry (People's Commissariat) of Defense and the Ministry of the Navy in the period from 1 July 1941 to 1 January 1946, constituted 551 billion rubles or more than half (52.2 percent) of all the USSR state budget expenditures during that period. (24)

Budget expenditures by the Ministry of the Armed Forces in 1946 amounted to 72,208 million rubles, a decrease of 56,031 million rubles in comparison with 1945. (25) The 1946 budget reduced military expenditures to 23.9 percent of the total budget. (26)

The state budget for 1947 allocated 67.0 billion rubles for the maintenance of the armed forces. (27)

The 1948 state budget provided 66.1 billion rubles for the Ministry of the Armed Forces. (28) This constituted 17 percent of the state budget, as compared with 18.4 percent spent in 1947. (29)

Although the Ministry of the Armed Forces was allocated 79.1 billion rubles in 1949, military expenditures constituted only 19 percent of the total budgetary expenditures for that year. (30) Defense expenditures in 1949 could be said to have remained on the 1948 level, considering that the increase in such expenditures in 1949 was connected with the increase in wholesale prices and railroad rates. (31)

The 1950 budget allocation for defense was 79.4 billion rubles, which constituted 18.6 percent of the total budget expenditures as compared with 32.6 percent in the prewar year of 1940 and 23.9 percent in 1946. (32) The actual defense expenditure, however, amounted to 82,867,000,000 rubles. (33)

A total of 365.3 billion rubles were allocated for the Defense and Navy Ministries under the Fourth Five-Year Plan. (34)

The 551 billion rubles which were allocated to finance military expenditures during the 4 1/2 years of war did not include other expenditures associated with the war, such as conversion of the economy to military production and the transfer of industry from areas which later became active theaters of war to the eastern regions of the country. During 1941-1945, the state budget mobilized and applied to defense, the national economy, culture, and other needs more than 1,100 billion rubles. (35)

Increasing the productivity of labor and reducing production costs, chiefly of military production, constituted one of the methods of financing the military needs of the USSR during the war. (19) An increment of more than 50 billion rubles was achieved in this manner during the war. Since the average daily cost of the war for the period 1942-1944 was approximately 339 million rubles, the economy resulting from the reduction of production costs

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ensured the financing of 147 days of war.(36) According to preliminary data, the cost of industrial production in 1944 was reduced 3 percent in the war industry and in machine building. In the aviation industry costs were reduced 7.3 percent in 1944, as compared with 1943, 12.8 percent in the tank industry, 7.6 percent in the armaments industry, 9.8 percent in machine tool building, and 9.9 percent in the electrical industry.(37)

Another means of financing military expenditures was the mobilization, through the credit system, of unused financial reserves to the extent of more than 20 billion rubles.(19) These included unused financial resources of state and cooperative enterprises, remains of director's funds, unused funds of long-term investment banks, surplus working capital of economic organizations, and other miscellaneous funds.

An 8.2-billion-ruble budget surplus of revenues over expenditures from prewar years was also employed for financing the war.(38)

At the beginning of the war, the government imposed a special 100-percent increase on income and agricultural taxes. On 1 January 1942, a special military tax was levied instead. During the period from 1942 to 1946, it produced 72.1 billion rubles.(39)

Funds collected for the Defense Fund and the Red Army Fund during the war years amounted to approximately 15 billion rubles, not including the obligations of state loans, and great quantities of platinum, gold, silver, and other valuables.(40) During the war years, the workers of the USSR subscribed to state loans in the amount of 90 billion rubles, which almost doubled the sum of loans negotiated prior to the war.(41)

Lotteries were still another means of financing the war. The second lottery of 25 June 1942 was fixed at 1,500 million rubles, which exceeded the first one by 100 million rubles. The first lottery was fixed at 1,000 million rubles, but was later raised to 1,400 million rubles because of oversubscriptions.(42) The third lottery produced 7 billion rubles and the fourth one, 5,353 million rubles.(40)

To ensure the supply of essential equipment to the front, 70 percent of capital expenditures in 1942, and 75 percent in 1943, were concentrated in the war, metallurgical, machine building, fuel and energy, chemical and rubber industries, and transportation.(43)

During the war, production of aircraft increased by 4 times, tanks by 7-8 times, guns by 7 times, mortars by almost 8 times, and ammunition by almost 4 times. At the end of the war, the quantity of guns, as compared with the beginning of the war, had increased by more than 5 times, aircraft by 5 times, and tanks by 15 times.(44)

The tank industry during the last 3 years of the war produced annually an average of 30,000 tanks and self-propelled vehicles; the aviation industry produced up to 40,000 aircraft; the armaments industry produced up to 120,000 guns of all calibers, 450,000 light and heavy machine guns, more than 3 million rifles, and about 2 million submachine guns.

During 1942-1944, the mine industry produced yearly an average of 100 thousand mines. In 1944 alone, 240 million shells, bombs, and mines and 7,400,000 rounds of ammunition were produced.(45)

The USSR State Budget for 1951 allocated 96.4 billion rubles for defense. This was 21.3 percent of the total budget expenditures.(46)

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In 1952, the Ministry of Defense and the Ministry of the Navy were allocated 113.8 billion rubles, which was 23.9 percent of the total budget.(47)

The 1953 budget allocation for defense was 110.2 billion rubles, or 20.8 percent of the total budget.(48)

In 1955, as compared with 1950, the output of heavy ships and tankers for the Navy will be about 2.9 times greater.(49)

Defense expenditures in the 1954 budget were approved at 100.3 billion rubles, which constituted 17.8 percent of the total budget expenditures.(50)

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